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Subject: LADWP Presents 5-Year Water and Power Rate Proposal
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The Los Angeles Department of Water and Power has formally presented a five-year rates request to the Board of Water and Power Commissioners. For your information below, please find our news release on the rates request. Thank you.

LADWP Presents 5-Year Water and Power Rate Proposal to Replace Aging Infrastructure, Protect Against Drought and Meet Power and Water Supply Mandates While Improving Customer Service

Citywide Public Education and Outreach Is Planned Over Next Four Months

LOS ANGELES – The Los Angeles Department of Water and Power (LADWP) has proposed a 5-year water and power rate action that provides funding to accelerate the replacement of aging infrastructure, better protect against drought conditions, and meet water and power supply mandates while improving customer service. The proposed rates are also designed to further incentivize conservation while keeping LADWP's rates low in comparison with nearby utilities.

LADWP presented the *Water and Power Rates Request 2016-2020* to the Board of Water and Power Commissioners during a special meeting Wednesday, kicking off a four-month outreach effort to inform L.A. residents, businesses, and stakeholder groups about the rates proposal

and get their input. The process follows an agreement LADWP has with Neighborhood Councils and other key business and community stakeholders to provide a 120-day review period prior to adoption of new rates.

"The Board will take a close look at this rates proposal to ensure it both focuses on providing positive savings and also the necessary revenue for upgrading and replacing aging water and power infrastructure, expanding the local water supply to protect against drought conditions, continuing to meet mandates that are transforming our power supply, and creating a clean energy future for Los Angeles. We also look forward to recommendations that will be provided by the Ratepayer Advocate," Board President Mel Levine said. In May, the Board had asked LADWP management to develop a rates proposal based on an independent 5-year revenue requirement study.

"The rates proposal must address these needed investments while incentivizing conservation and keeping rates low and competitive," Levine said. "The next step is to share this proposal with our customers so that they understand the need and have opportunity to provide input," Levine said.

The first public meeting, which will also be streamed online, is scheduled for Wednesday, July 22, at 6 p.m. at LADWP's John Ferraro Building in downtown Los Angeles. Web streaming will be available at www.MyLADWP.com. A series of additional community meetings will be announced soon, followed by hearings by the Board and City Council in the fall.

The proposed rate changes presented to the Board today would vary, depending on how much water and power a customer uses and whether they are a residential, commercial, or industrial customer. A residential customer using a typical amount of water and power would see an average annual rate increase of 3.4%, or \$4.75 per month over the next five years. This means a typical customer's water and power bill would increase by \$23.73 per month—from \$132.44 to \$156.17 at the end of five years.

Customers who use a low amount of water and power would see a 2.4% average annual increase, about \$1.95 per month – a difference of

\$9.74 per month at the end five years. Approximately 75% of residential customers fall into either the low or average user category. Customers using a high amount of water and power would see a 5.4% average annual increase, about \$17.64 per month – a difference of \$88.19 per month at the end five years. If adopted, LADWP's combined water and power rates would still remain below those of most neighboring utilities.

"We know from experience that investing in the city's critical pipes, poles and other water and power infrastructure pays off in reducing main breaks and power outages," said Marcie Edwards, LADWP General Manager. LADWP water main leaks are less than half the state average, and have decreased by 37% over the past seven years thanks to proactively replacing older and more vulnerable pipes. "But our cycle of replacement is still too slow and more pipes are getting older at a faster rate. We need to ramp up replacement of this and other infrastructure to minimize disruptions for our customers and save water," Edwards said.

"The proposed rate changes over five years will provide the steady, gradual revenue increases necessary to achieve a reliable and sustainable water and power future for Los Angeles, while giving our customers the certainty they need in setting their own budgets as well as more opportunities to save through expanded conservation programs," Edwards said. About 85% of new water revenues will go toward investing in infrastructure and about 75% of new power revenues will be used to meet existing state and local power supply mandates to transition to cleaner energy.

In addition to improving reliability, new revenues are necessary to expand and secure the city's local water supply and reduce dependence on more expensive, purchased water that is imported from Northern California and the Colorado River. The revenues will support local water supply programs already underway, including providing matching funds for grants, to accelerate groundwater cleanup, improve stormwater capture, and expand recycled water for irrigation and industrial uses, as well build an advance treatment facility to replenish groundwater. The funds will also support conservation programs that help customers manage their water and power use and potentially save on their bills.

To further incentivize water conservation, the proposal recommends increasing water rate tiers, which are based on consumption, from two to four tiers for single-family residential customers. The goal is to incentivize conservation while recovering costs of providing water to those customers who consume higher amounts of water. The proposed tiers are based on utility costs and conservation goals and will result in lower rates for customers who use low amounts of water.

Increasing revenues to upgrade and replace aging infrastructure is also needed on the power side. Over half of LADWP's 320,000 poles are at least 60 years old, which is the average design life of a power pole. In addition, 75% of new power revenues are necessary to continue the transition of LADWP's power supply to comply with goals and mandates. Over the next 10 to 15 years, LADWP will eliminate the use of coal power to reduce greenhouse gas emissions, expand renewable energy to 33% of power sales, increase energy efficiency to reduce electricity use by 15%, and rebuild coastal power generating stations to eliminate ocean water cooling.

General Manager Edwards said the rates proposal comes after LADWP has significantly cut costs, completed an independent benchmarking study and cost studies, reviewed and negotiated new labor contracts with pension reform that will achieve significant savings for customers.

In April, LADWP completed Phase 1 of an independent benchmarking analysis that showed LADWP's electric rates are below those of privately owned utilities in the region and the state. LADWP's water rates are also competitive with those of other water utilities in the region. LADWP compared favorably on water and power service reliability and overall operating costs—a key measure of efficiency.

From FY 2011- 2013, LADWP saved nearly \$467 million by reducing labor costs, refinancing, and other cost cutting measures. In addition, a new labor contract with its largest employee bargaining unit, the International Brotherhood of Electrical Workers (IBEW), will save \$456 million over four years (FY 2013/14 – 2016/17) and an estimated \$5 billion over 30 years. The contract also includes salary reforms to bring the pay scale of 34 common civil service classifications in line with other City of Los Angeles employees and pension reforms for all new

employees.

LADWP also has made strides to correct problems that ensued following the launch of its new customer care and billing system. During the peak of the problems, customers were waiting over 30 minutes on hold. Call hold times were under five minutes as of last week. Other key indicators have consistently exceeded industry standards consistently below industry standards, including the number of meter reads, estimated bills, and timeliness of billing.

As part of the outreach process, LADWP has launched a new website, www.MyLADWP.com. Visit the website to:

- Learn more about the 2016-2020 Rates Request
- Check upcoming community briefings and webcasts
- Provide comments, sign up for email notifications and participate in a customer survey that will help LADWP improve its customers' experience.

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<http://www.myladwp.com/>

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